

In the case of **CIT Vs Eastern Medikit** the AO initiated the penalty proceedings against the assessee on the ground that since the assessee failed to debit the losses of its one of the unit in the balance sheet of the head office and has claimed deduction under section 80HHC on a higher amount assessee is guilty of furnishing inaccurate particulars and hence liable for penalty under section 271(1) (c) of the Act 1961. The AO support his order with the view of IPCA case.

The CIT(A) and the ITAT has allowed the appeal of the assessee on the ground that when two views are possible in respect of an interpretation then the penalty under section 271(1)(c) is not leviable. And the assessee has filed its return prior to the arrival of IPCA hence not liable for any penal action